

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE**

**IN THE MATTER OF THE APPLICATION)
OF CHESAPEAKE UTILITIES)
CORPORATION FOR A GENERAL)
INCREASE IN ITS NATURAL GAS RATES) PSC DOCKET NO. 15-1734
AND FOR APPROVAL OF CERTAIN OTHER)
CHANGES TO ITS NATURAL GAS TARIFF)
(FILED DECEMBER 21, 2015))**

**DIRECT TESTIMONY OF

LISA B. DRIGGINS

ON BEHALF OF THE STAFF OF THE

DELAWARE PUBLIC SERVICE COMMISSION**

AUGUST 24, 2016

1 **Q. Please state your name, business address, and current occupation.**

2 A. My name is Lisa Driggins. My business address is 861 Silver Lake Boulevard, Suite 100,
3 Dover, Delaware 19904. I am a Public Utility Analyst II for the Delaware Public Service
4 Commission (“PSC” or “Commission”). I have been employed as a Public Utility
5 Analyst since joining the Commission in January 2013.

6 **Q. What is your educational background?**

7 A. I received a Bachelor of Science Degree in Business Management and a Masters of
8 Business Administration from Wesley College. Since my employment at the PSC, I
9 completed the National Association of Regulatory Utility Commissioners (“NARUC”)
10 Eastern Utility Rate School in Florida and Camp NARUC Annual Regulatory Studies
11 program at Michigan State University.

12 **Q. Briefly describe your duties and responsibilities with the Commission.**

13 A. My duties include the review of filings by regulated utilities that propose changes in their
14 rates and charges; assisting senior Staff with executing the annual compliance and
15 financial review for wastewater utilities; planning and participating in the audit of small
16 regulated companies; assisting senior Staff with the preparation of schedules and
17 documents; and participating in the review of source documents at utility offices. Such
18 documents include general ledger transactions and invoices to assess whether the expense
19 claims are appropriate for ratemaking purposes. I also review and make recommendations
20 to the Commission to grant Certificates of Public Convenience and Necessity for water
21 and wastewater utilities.

1 **Q. What is the purpose of your testimony in this proceeding?**

2 A. The purpose of my testimony is to present the findings of my analysis and policy research
3 regarding the impacts of certain tariff changes proposed by Chesapeake Utilities
4 Corporation (“Chesapeake” or the “Company”). My direct testimony consists of the
5 following subject areas:

6 I. Modifications to the Curtailment Policy

7 II. Extension of Bill Payment Due Date

8 III. Interest Rates on Customer Deposits

9
10 I. **Modifications to the Curtailment Policy**

11 **Q. Please describe what a curtailment policy is for natural gas utilities.**

12 A. Generally, a curtailment policy is the definition of curtailment priorities that a natural gas
13 utility will implement when it determines there may be insufficient gas supply to meet the
14 demand on a distribution system. When this occurs, the utility reserves the right to
15 partially cut back gas to customers. Curtailments are done to preserve the utility’s gas
16 distribution system.

17 **Q. What changes is Chesapeake proposing to its curtailment policy?**

18 A. Chesapeake’s Curtailment Policy is defined in Section II – Curtailment, Sheets No. 2 to
19 5.1, of its Delaware Division Tariff. The Company has proposed some minor textual
20 changes, but the most notable proposed change comes in Section 2.4 - Curtailment of

1 Customer-Owned Gas of the Curtailment Policy. Presently, in the event that Customer-
2 owned transportation gas is diverted for use by higher priority customers, the Company
3 will reimburse the Customer the cost of the Customer's alternative fuel or, if the
4 Customer has no alternative fuel, then the Company will reimburse at a price equivalent
5 to No. 2 fuel oil. Chesapeake proposes to change the price equivalent to No. 2 fuel oil to
6 a "rate equal to the higher of the Company's weighted average cost of gas (the total cost
7 of natural gas delivered to the Company for system supply divided by the volume
8 delivered) or the Customer's total acquisition cost of gas (including pipeline
9 transportation charges)."¹

10 **Q. Does Staff have a recommendation with respect to Chesapeake's request to modify**
11 **its curtailment policy?**

12 A. The most recently available report from the U.S. Energy Information Administration
13 ("EIA") indicates that the No. 2 fuel oil price is \$2.131 per gallon.² Chesapeake's
14 weighted average cost of gas is \$7.30 per Mcf.³ A Mcf is approximately a thousand
15 cubic feet of natural gas; this is equal to approximately 742 gallons of No. 2 fuel oil.⁴
16 This illustrates the disparity in pricing between the fuel oil and natural gas markets. Staff
17 believes that the Company's proposed language is acceptable and believes it is more
18 appropriate to calculate the reimbursement in this manner than use a price tied to
19 residential heating oil prices. Therefore, Staff does not oppose the Company's request to
20 modify its curtailment policy.

¹ See Sheet No. 3 of Chesapeake's Redline Tariff changes filed with the Application.

² See [U.S. EIA Weekly No. 2 Price](#)

³ See Schedule B, *Application of Chesapeake Utilities Corporation For Approval Of A Change In Its Gas Sales Service Rates ("GSR") To Be Effective November 1, 2015*, PSC Docket No. 15-1362 (September 1, 2015).

⁴ See [ConvertUnits.com](#)

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2 **II. Extension of Bill Payment Due Date**

3 **Q. Please describe Chesapeake’s request to modify its tariff to extend the bill payment**
4 **due date.**

5 A. Presently, Chesapeake’s Payment Period is defined in Section XIII – Payment Terms,
6 Sheet No. 24 – 13.4 Payment Period, of its Delaware Division Tariff. The Company has
7 proposed extending its bill payment due date from ten (10) days to twenty (20) days from
8 the bill date.

9 **Q. What is your understanding of the Company’s reasoning behind this request?**

10 A. Staff understands that the primary reason behind this request is to alleviate concerns from
11 a small number of customers who have complained about delays from the United States
12 Postal Service in receiving their natural gas bill.

13 **Q. How do other regulated utilities in Delaware define their bill payment due dates?**

14 A. I reviewed the tariffs of several comparable regulated utilities in the state of Delaware.
15 Please see Table 1 below which summarizes my findings:

Table 1: Bill Payment Due Date - Definitions from Tariffs	
Artesian Water Company (“Artesian”)	All bills are due and payable upon presentation.
Artesian Wastewater Management, Inc. (“AWMI”)	All bills are due and payable upon presentation.
Delmarva Power & Light Company – Electric & Gas (“Delmarva”)	All bills are due and payable upon presentation.

Suez Water Delaware Inc. (“Suez”)	Bills are due when rendered.
Tidewater Environmental Services, Inc. (“TESI”)	The due date for payment of a bill for non-residential service shall be no less than fifteen (15) days from the date of transmittal. The due date for payment of a bill for residential service shall be no less than twenty-five (25) days from the date service was provided.
Tidewater Utilities, Inc. (“Tidewater”)	All bills are due and payable upon presentation.

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2 **Q. How does this request impact Chesapeake’s customers?**

3 A. This request would allow customers more time to pay their natural gas bill.

4 **Q. What is your recommendation with respect to Chesapeake’s request to extend its**
5 **bill payment due date from ten (10) days to twenty (20) days?**

6 A. Staff does not oppose the Company’s request to modify its bill payment due date.

7

8 **III. Interest Rates on Customer Deposits**

9 **Q. Please describe Chesapeake’s request to modify its tariff with respect to the interest**
10 **rates on customer deposits.**

11 Chesapeake’s interest rates on customer deposits are defined in Section XIII – Payment
12 Terms, Sheet No. 23 – 13.2 Establishment of Customer Credit, of its Delaware Division
13 Tariff. Currently, the Company calculates interest on a deposit at six (6) percent per

1 annum, except on deposits held less than 90 days. The Company has proposed to instead
2 determine the interest as follows:

3 “Interest on a deposit shall be simple interest at an annual rate equal to the
4 average of the percent yields of the 1-year Treasury constant maturities for
5 September, October, and November of the preceding year.”⁵

6 The Company will still continue to not calculate interest on deposits held less than
7 90 days.

8 **Q. What are the interest rates on customer deposits on other regulated utilities in**
9 **Delaware?**

10 **A.** I reviewed the tariffs of several comparable regulated utilities in the state of Delaware.
11 Please see Table 2 below which summarizes my findings:

Table 2: Interest Rates on Customer Deposits	
Artesian Water Company (“Artesian”)	Simple interest will accrue at the rate of the average of percent yields of the 1-year Treasury constant maturities for September, October and November of the preceding year on security deposits held six months or longer.
Artesian Wastewater Management, Inc. (“AWMI”)	Interest will accrue based on the rate of the average of percent yields of the 1-year U.S. Treasury constant maturities for September, October and November of the preceding year on security deposits held six months or longer.
Delmarva Power & Light Company – Electric & Gas (“Delmarva”)	Simple interest on deposits at an annual rate equal to the average of percent yields of the 1-year Treasury constant maturities for September, October and November of

⁵ See Sheet No. 23 of Chesapeake’s Redline Tariff changes filed with the Application.

	the preceding year, shall be applied annually as a credit to the Customer's account and so indicated on the January bill.
Suez Water Delaware Inc. ("Suez")	Simple interest will accrue at the rate of the average of percent yields of the 1-year Treasury constant maturities for September, October and November of the preceding year on security deposits held six months or longer.
Tidewater Environmental Services, Inc. ("TESI")	Interest at a Rate of Prime plus 2%
Tidewater Utilities, Inc. ("Tidewater")	Interest on the deposit will accrue at the current rate approved by the Commission per annum.

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2 **Q. What is your recommendation with respect to Chesapeake's request to change the**
3 **interest rate on customer deposits?**

4 A. After reviewing my results in Table 2, Staff has determined that Chesapeake's proposal is
5 similar to that of Artesian, AWM, Delmarva, and Suez. Therefore, Staff does not
6 oppose the Company's request to change the interest rate on customer deposits.

7 **Q. Are there any remaining proposed tariff revisions that have not yet been addressed?**

8 A. Included in the proposed tariff revisions are a number of new service offerings as well as
9 a Revenue Normalization Adjustment ("RNA") proposed by Chesapeake. These items
10 will be specifically addressed in the testimony of Mr. Jerome D. Mierzwa of Exeter
11 Associates, Inc. on behalf of the Staff of the Delaware Public Service Commission.

12 Staff has thoroughly reviewed the remaining tariff changes that have been proposed by
13 the Company and does not have any additional specific revisions to address. The

1 remaining edits seek to correct grammatical errors, encourage uniformity among the tariff
2 pages, or add further clarification.

3 **Q. Does this conclude your testimony?**

4 A. Yes it does.